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C O N F I D E N T I A L SECTION 01 OF 05 NEW DELHI 000094

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TAGS: [EAGR](#) [ECON](#) [ETRD](#) [ELAB](#) [ENRG](#) [PGOV](#) [PREL](#) [PINR](#) [IN](#)
SUBJECT: PARTY SPOKESMEN AGREE THAT EQUITABLE DEVELOPMENT
IS A TOP PRIORITY

Classified By: Political Counselor Ted Osius for reasons 1.4 (B,D)

11. (C) Summary: On January 9, during the annual meeting of the Federation of Indian Chambers of Commerce and Industry (FICCI), political leaders from the BJP, Congress and the CPI(M) examined Indian economic policy from their own ideological perspectives. Despite an attempt by the BJP's Ravi Shankar Prasad to inject an element of confrontation, there was remarkable unanimity on many points. All agreed that India, with its pervasive poverty, needed to devise a culture-specific development model that would address the problem of equity, get away from the current emphasis on urban elites and the middle class, integrate the rural population, create jobs, and address the country's severe infrastructure shortcomings. CPI(M) leader Sitaram Yechury argued that a strategy aimed at the needs of India's most poor is essential to development and that the government must take the lead role in creating new infrastructure. Commerce Minister Kamal Nath (of Congress) also took the high road, stressing that Indian democracy has shown a remarkable ability to devise a country-specific development strategy that helps its citizens. While the three parties continue to fight fierce political battles on other issues, the agreement on basic economic principles and the civil tone of the discourse demonstrates that they will keep the debate within bounds. End Summary.

Hi-Level Political Talkshop

12. (U) On January 9, Poloff attended a "Special Session with

Senior Leaders of Major Political Parties," part of the 79th Annual Meeting of the Federation of Indian Chambers of Commerce and Industry (FICCI). Moderated by Lord Meghnad Desai, a British economist and Labor MP, it featured short presentations by Ravi Shankar Prasad, a spokesman for the BJP and a member of the party's National Executive, Sitaram Yechury, a CPI(M) MP and member of the party's politburo, and, from Congress, Commerce Minister Kamal Nath.

The BJP Bashes the Left

13. (C) The BJP's Ravi Shankar Prasad set the tone and the themes by stressing that among the principal issues facing the GOI was the question of how to achieve economic growth and an expanding economy, while ensuring an equitable distribution of the resulting benefits. Praising what he called "entrepreneur-driven growth," Prasad derided the initial Congress reform initiative undertaken in 1991 as "reform under compulsion," and contrasted it with the "reform by choice" provided by the BJP/NDA government. He then launched into a far-reaching criticism of the UPA's economic policy, which he maintained "lacked an initiative to focus growth." Accusing the Left parties of committing "historical blunders," he blamed it for changing its tune after its ideas were discredited. For example, he pointed out that Left thinkers have repeatedly criticized India for implementing "jobless growth," while the fact is that India has seen job growth of between 2.3 and 3.8 percent in the past 10 years. Complaining that "reform has come to a complete standstill," Prasad pointed out that, while India is in dire need of

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infrastructure, highway construction is nonexistent and much-needed airport modernization has been stopped by "unnamed parties" (meaning the Left parties). Prasad then ridiculed the UPA for unveiling an ambitious nuclear energy policy at the expense of coal-based energy production. He emphasized that it would make much more sense to privatize the coal sector and allow private companies to extract coal and put it to use, (again something opposed by the Left).

14. (C) Noting that the UPA had "bungled" the SEZ initiative begun by the NDA government, Prasad asked why the UPA is erecting SEZs on prime farm land instead of wasteland and conducting a policy "without transparency." Praising the Indian private sector for its proven competence, Prasad rhetorically asked whether the "permit raj" of Nehruvian days had really come to an end, or had merely been replaced by a new "inspector raj," complemented by "rent-seeking." He then criticized unnamed UPA Cabinet Ministers for setting themselves up as "autonomous chieftains," at the expense of Indian economic development. For example, he noted, the UPA Minister of Information and Broadcasting (PR Dasmunshi) has done nothing to encourage what could be a dynamic Indian entertainment industry and has proven to be "totally ineffective." Likewise, instead of taking advantage of the vast pool of Indian human resources, the UPA has chosen to implement quotas and widen the communal divide. While everyone agrees that "affirmative action" is necessary, he intoned, Indian merit has its own place and the two must be combined to create a "new approach."

Sitaram Gently Ripostes

15. (C) Complaining that he was suffering from illness and had not prepared a presentation, Sitaram Yechury chose to take the high road and avoided confrontation, while gently responding to Prasad's criticisms with a remarkable show of magnanimity and pragmatism. Remarking that he had recently published an essay entitled "left hand drive," Yechury noted that he was well-aware that the steering wheels of Indian cars are on the right. The essay, he elaborated, was aimed at "those who look to the US as the only alternative," as "American cars have their steering wheels on the left," and

was aimed at getting them to "look at other points of view."

16. (C) Waxing philosophic, Yechury pointed out that many commentators say that the issue of equity and economic growth is driven by compassion for the less fortunate. He rejected this stance, saying that growth is not possible without equity, as it is a "required precondition," that growth increases the purchasing power of the poor and "inequality will only pull down the economy." Thus, he emphasized, the two are completely compatible. With this in mind, the Left is not out to oppose reform and economic growth, but only to "identify and encourage those reforms that will connect the "shining India" of the right with the "suffering India" of the left. India is in the best position to succeed in this endeavor, he noted, as it has a "democratic advantage," and the possibility of turning its "demographic advantage" of human resources into a positive asset. To accomplish this, India must "invest in youth, and create equality" to contribute to growth. Rejecting Prasad's assertion that the

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Left had prevented anything from happening, Yechury took credit for the GOI's "rural employment scheme," which he maintained has begun utilizing rural labor for productive pursuits such as constructing much-needed infrastructure.

17. (C) Yechury further emphasized that economic reform will not take place without effective governance and that, while the pace of reform is important, the GOI must address and establish proper priorities, and must shift from ensuring corporate profit to ensuring the peoples' welfare. Emphasizing that the Left is not "anti-growth," Yechury agreed with Prasad that wealth must first be created before it can be equitably distributed. Thus, India needs "holistic growth" that incorporates both principles, and provides not just reservations but true equity. This will require a shift to rural areas. India must address the current shortage of food-grains, which Yechury maintained is worse than that of the Bengal famine of 1943. Remarking that it is "shocking" that over 20,000 farmers committed suicide last year, Yechury emphasized that the GOI must draw the rural sector into the market economy. Rejecting the assertion that the Left was anti-business or anti-industry, he intoned that the left wanted to work with industry to bring about "pro-people" economic reform. Yechury further agreed with Prasad that infrastructure development is imperative in India, but maintained that history has demonstrated that "even in the US" such development does not take place without a large role for government. The problem in India is to find sufficient resources for the government. This should not be done by raising taxes, but by broadening the tax net. As an indicator of India's potential, Yechury pointed out that, even with a totally inadequate higher education sector, the country still produces more trained manpower than the entire EU. India's challenge is to channel this manpower into economic growth.

Kamal Nath Also Takes the High Road

18. (C) The Commerce Minister remarked that it was tempting to rebut the "real opposition and the internal opposition" at the same time, but he would not do so. Instead, he would outline his personal beliefs. Despite the BJP's platitudes, he remarked, this is not the time to try to score debating points, but to "recognize the complexity and paradox of India." Noting that the UPA is not a "new government," but rather the return of the "old government," Kamal Nath maintained that it was not productive to over politicize the economic debate, but to cooperate to maintain and expand India's 9.1 percent economic growth rate. It is imperative that India "tell its story" and point out the uniqueness of its reform strategy to the world. Conceding that reform was initiated "under compulsion" as India's foreign exchange reserves were exhausted, the Minister emphasized that India (read Congress) had developed a unique development strategy

from scratch. This is because, he pointed out, there are 400 million Indians who must exist on less than one dollar per day. Recalling that the head of the World Bank told him in 1993 that India was "going nowhere" and "would soon become a basket case," Kamal Nath proudly stated that the GOI had avoided the bursting bubbles associated with economic reform in Latin America and East Asia by relying on "calibration and

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democratic consistency." Because of this, the BJP had maintained the same reform policies and the Left had "transformed itself," to provide a political consensus.

¶9. (C) With this "bedrock" in place, the challenge has been how to "calibrate" the reforms. For example, with a large stock of foreign reserves, India has switched gears from dollar generation to employment generation. Today's challenge is not just to focus on the past, but to develop a consensus about the future. Indian demographics can be an economic dividend or an economic challenge depending on how managed. The name of the game is to meet the challenge of "global competitiveness." In this global environment, it is India's neighbor Bangladesh that provides Walmart with its textiles and runs up a huge surplus in "informal trade" with India. To meet the future, India must devise a strategy for employment generation that will reach into the most "backward areas" and provide jobs to India's "weaker sections," and break out of the urban centric mode to provide "all-inclusive growth." Kamal Nath agreed with Yechury that the deprived rural sector needs to be provided with purchasing power and that there must be a shift to "rural consumption."

¶10. (C) However, the current agricultural picture is dismal, with 650 million Indians engaged in agriculture and with an average farm size of just under one hectare. How can India expect to compete with the US and Europe, where there are farms of 10 and 15 thousand acres? At present, the sole aim of Indian agriculture is to provide "livelihood security" for hundreds of millions of people. Kamal Nath derided this concept as nothing less than all-pervasive "subsistence agriculture." India needs to "get out of this pattern." Emphasizing that "we are all pro-farmer," Kamal Nath pointed out that it is not sufficient to grant small loans to Indian farmers who cannot repay them. The farmer must be helped to break out of subsistence agriculture. Likewise, it is not enough to provide education to rural youth. All too often, rural children are provided higher education, cannot find work when they migrate to the cities, and must return to the village. The big challenge to the Indian economy is to ensure that India's rural population is not just a consumer of GDP, but a creator of GDP. The same challenge extends to manufacturing. He noted that Indian manufacturing contributes only 17 percent of India's GDP and emphasized that this must be raised to 25 percent.

¶11. (C) Comment: Nath's pragmatic approach to agricultural policy appeared to contrast with remarks made by Finance Minister P. Chidambaram at another FICCI event, where he stated that while the GOI supports far-reaching agricultural reform, it would do nothing that would break "the sacred link between the tiller and the soil." End Comment.

Comment - Remarkable Consensus

¶12. (C) The BJP's Ravi Shankar Prasad appeared to be the odd man out, as he chose to indulge in Left bashing, while his opponents were the pictures of conciliation and consensus. Despite the apparent harshness of his presentation, Prasad's comments were taken in good spirits by both Sitaram Yechury and Kamal Nath. Yechury's presentation was remarkable for

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its pragmatism. He stressed areas of agreement, rather than

disagreement, endorsing the main premises of economic reform, while expressing a willingness to work together with the business sector to address common concerns. All three politicians from across the political spectrum were pleased with India's economic growth, embraced reform, and agreed that the top priorities were to shift the focus to agriculture and the rural sector, provide employment to the large numbers of young people entering the work force, and devise a culture-specific economic development model that would address the glaring inequality evident at all levels of Indian society. There was also agreement that India's devotion to democratic principles was an asset that has helped jump-start and maintain India's economic development. While the three political parties remain at loggerheads, there is agreement on some basic principles and a level of civility that points to a relatively healthy political system that can cooperate on essential issues when necessary.

¶13. (U) Visit New Delhi's Classified Website:
(<http://www.state.sgov.gov/p/sa/newdelhi/>)
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